



JUN 29 2000

Mr. Philip Soule, Deputy Director
Medical Services
Department of Health and Social Services
P.O. Box 906, Lewis Building
1901 North DuPont Highway
New Castle, Delaware 19720

Dear Mr. Soule:

We are pleased to inform you that your extension application for demonstration project No. 11-W-00063/3 titled "Diamond State Health Plan" (DSHP) has been approved for the period of January 1, 2001, through December 31, 2003. Approval of this project is under the authority of section 1115 of the Social Security Act (the Act).

The extension of DSHP, and the waivers and Federal matching authority provided for thereunder, are conditioned upon continued compliance with the enclosed special terms and conditions currently in effect, which set forth in detail the nature, character, and extent of Federal involvement in this project. The approval is subject to our receiving your written acceptance of the award within 30 days of the date of this letter.

Consistent with section 4757 of the Balanced Budget Act of 1997 (section 1115(e)(7) of the Act), we have included a budget neutrality trend rate for the 3 years of the extension for each of the enrollee group/expenditure categories that were identified in the original budget neutrality terms and conditions. The rates reflect the Secretary's best current estimate of rates of change in expenditures and are included in Attachment A.

The following waivers of provisions of the Act remain in effect to enable Delaware to carry out the DSHP demonstration through the extension period:

1. Amount, Duration and Scope of Services 1902(a)(10)(B)

To the extent that the state may offer a different benefit package to the newly eligible DSHP demonstration participants than is being offered to the traditional Medicaid population.

2. Statewideness 1902(a)(1)

To enable the state to provide services through managed care plans, or certain types of managed care plans, only in certain geographical areas of the State.

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| 3. | Payment of Federally Qualified Health Centers and Rural Health Clinics | 1902(a)(10) and 1902(a)(13)(C) |
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To the extent that the state may provide Federally Qualified Community Health Center (FQHC) and Rural Health Clinic (RHC) services through managed care providers, and not require payment to FQHCs and RHCs in accordance with Medicare cost-based reimbursement rules.

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| 4. | Freedom-of-Choice | 1902(a)(23) |
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To the extent the state may restrict freedom-of-choice of provider for the DSHP participants. Participants will be restricted to a single plan of choice for 1 year.

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| 5. | Retroactive Eligibility | 1902(a)(34) |
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To the extent that the state need not provide retroactive eligibility for DSHP participants.

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| 6. | Upper Payment Limits for Capitation Contract Requirements | 1902(a)(30)(A) as implemented by 42 CFR 447.361 and 447.362. |
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To the extent that the state may set capitation rates for the DSHP that would exceed the costs to Medicaid on a fee-for-service basis.

Under the authority of section 1115(a)(2) of the Act, expenditures made by the state under the DSHP for the items identified below (which are not otherwise included as expenditures under section 1903) shall, for the period of this project, be regarded as expenditures under the state's title XIX plan:

1. Expenditures for extending health insurance coverage to adults and children with incomes up to 100 percent of the Federal Poverty Level.
2. Expenditures that might otherwise be disallowed under 1903(f); 42 CFR 435.100 et. seq., insofar as they restrict payment to a state for an eligible whose income is no more than 133 1/3 percent of the Aid to Families with Dependent Children eligibility level.
3. Expenditures to permit the state to extend, for 24 months, Medicaid eligibility for family planning services only to all women who lose Medicaid eligibility for non-fraudulent reasons.


4. Expenditures for services to a DSHP enrollee residing in an Institution for Mental Disease for the first 30 days of an inpatient episode, subject to an aggregate annual limit of **60** days.

Your project officer is Ms. Alisa Adamo, who may be reached at **(410) 786-6618**.

Communications regarding program and administrative matters should be submitted to the project officer at the following address: Health Care Financing Administration, Center for Medicaid and State Operations, **7500** Security Boulevard, Mailstop **S2-01-16**, Baltimore, Maryland **21244-1850**.

We appreciate Delaware's accomplishments in administering this innovative program and look forward to continuing to work with you during the course of the project.

Sincerely,


Nancy-Ann Min DeParle
Administrator

Enclosure